Texas Department of Information Resources

Board Meeting

9:30a.m., November 8, 2012

Room 1-104, W.B. Travis Building
1701 North Congress Avenue

Executive Director's Report

Karen W. Robinson

Executive Director

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Executive Director's Report

- **Report on Agency Performance**

- **Employee Recognition**
  - **Chief Operations Office**

    Technology Sourcing Office
    - **Phyllis Benitez**, Contract Specialist
    - **Sonia Elizondo**, Contract Specialist
    - **George Monnat**, Strategic Contract Manager

    eGovernment
    - **James Brady**, Database Administrator
    - **Cliff Collard**, Systems Analyst
    - **Martin Garza**, Program Supervisor

  - **Chief Financial Office**
    - **Daniel Otto**, Cost Accountant
  - **Chief Information Security Office**
    - **Joe Poole**, IT Security Analyst

- **Next Board Meeting – Thursday, February 7, 2013**
  (unless a special meeting is necessary)

Biennial Performance Report

Lori Person

Chief Administrative Officer

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Biennial Performance Report (BPR)

TGC 2054.055 requires DIR to prepare and submit the BPR to the Governor and Legislature by November 15 to

- Assess progress on the priorities outlined in the State Strategic Plan (2011)
- Describe major accomplishments and problems in statewide technology management
- Make recommendations for improving statewide technology management

Additional reports included in BPR

- State Technology Expenditures
- Accessibility
- Use of E-Learning
- Network Security

- Texas.gov
- Telecommunications
- Project Management Practices
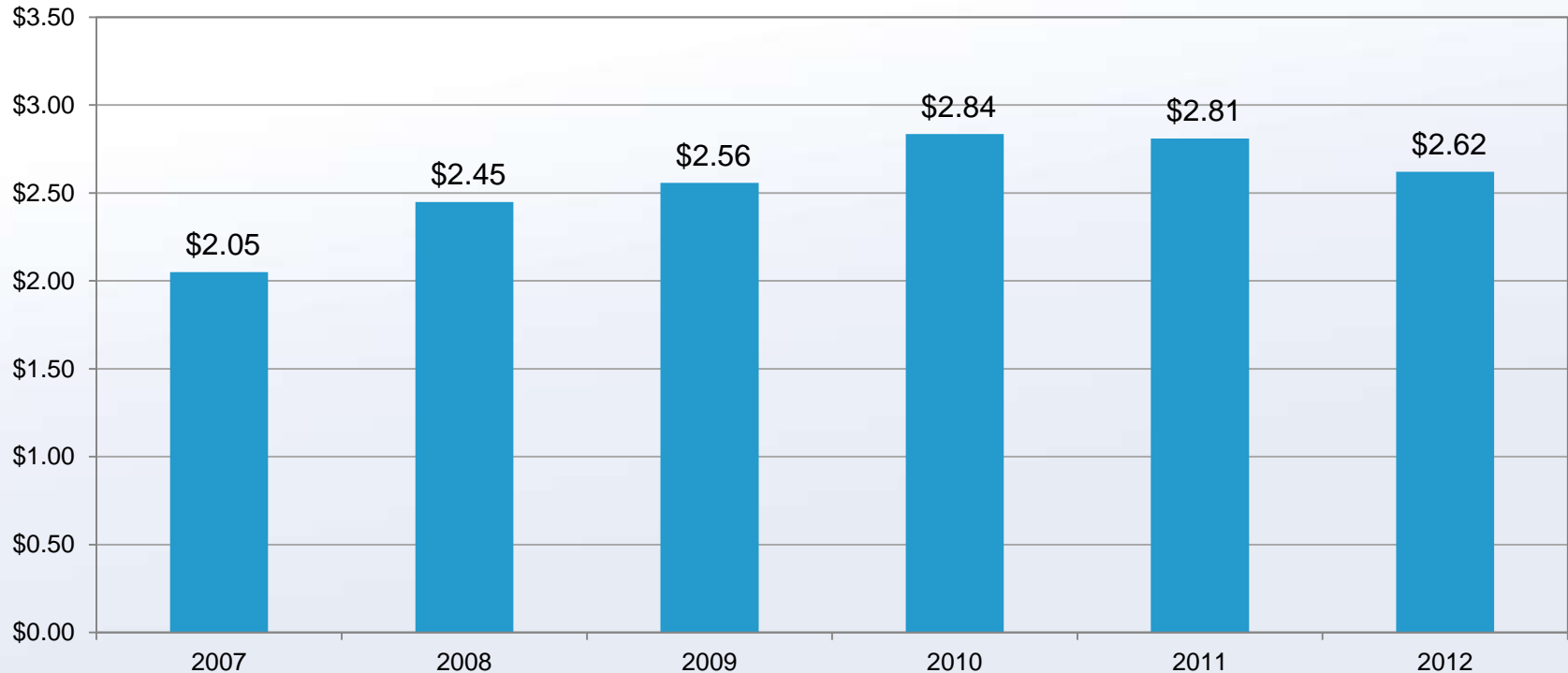
Progress on Statewide Priorities
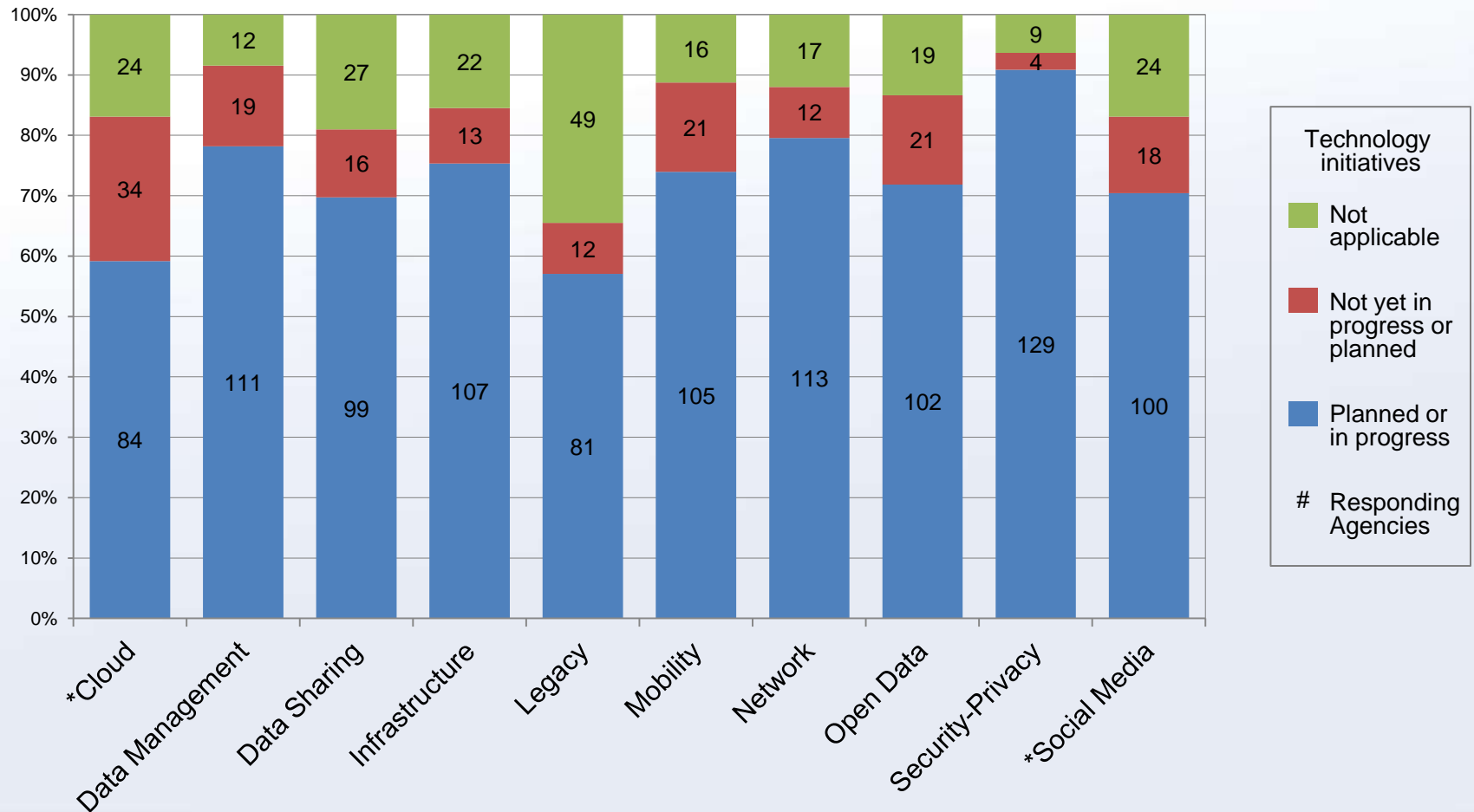
Recommendations

- **Focused on improving efficiency and reducing costs**

- **DIR is one of few state agencies with the authority to make recommendations to the Legislature**

- **Legislative Recommendations – Approximately 9**

- **Agency Best Practices – Approximately 10**

Estimated Statewide IT Expenditures

Dollars Rounded, in Billions

Note: Data for fiscal years 2011 and 2012 is preliminary.

Chief Operations Office Update

Carl Marsh

Chief Operating Officer

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Data Center Services

- **Operational performance through October is 93%**

- **Backlogs reduced by 55% through October**

- **Disaster recovery gap analysis underway**

- **Business Executive Leadership Council**
  - Nominated new BELC Chairperson – Lisa Glenn, TWDB
  - Added Bill Kuntz to membership, TDLR

- **Positive trend in customer satisfaction – first 3 months' service delivery**
  (3.0 = acceptable – MSI customer surveys)
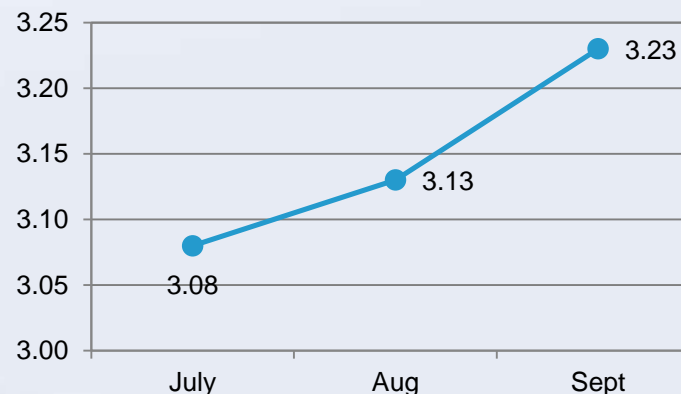
Texas.gov

- **Year over year (Q4)**
  - Visits up **3.6%**
  - Transactions up **4.1%**
- **Continued customer support**
  - Q4 ads increased Texas.gov/Driver transactions **22%** over last year
  - **6** customer solution webinars
- **Cumulative state share**
  - **$131M** through FY12 Q4
  - Forecasted **$159M** through FY13
- **Fee changes**
  - ValIDate Fees – ACTION
  - TCFP Fees – ACTION
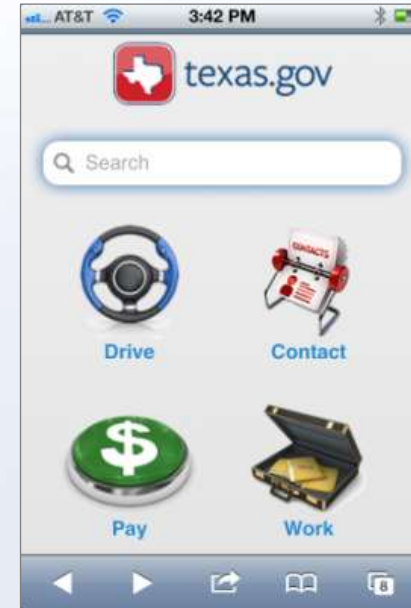
Val**ID**ate Fees – ACTION

- **Five new web services that provide superior ID verification to existing TexasOnline Authentication System (TOAS)**
- **Expands customer base to commercial businesses and individuals**
- **Participating agencies providing data to support Val**ID**ate will**
  - Pay no fee for services
  - Be compensated for expenses with part of transaction fee

Projected Revenue		
	Agency Fund	State Share
Year 1	$ 9,453	$ 106,501
Year 2	$ 54,767	$ 391,077
Year 3	$ 108,787	$ 752,929

ValIDate Fees – ACTION

Type of Service	Transaction Costs					
TIER	**1**	**2**	**3**	**4**	**5**	**6**
DL ValIDate	$2.00	$1.61	$1.23	$0.84	$0.46	$0.07
Optional Audit Opt-In Service	$0.50	$0.41	$0.31	$0.22	$0.12	$0.03
DL ValIDate + Additional Characteristics	$3.00	$2.44	$1.88	$1.32	$0.76	$0.20
DL ValIDate + Image	$4.00	$3.30	$2.60	$1.90	$1.20	$0.50
Confirmed Authentication Audit	$2.00	$1.66	$1.32	$0.98	$0.64	$0.30
Challenge Question Authentication	$3.00	$2.51	$2.02	$1.53	$1.04	$0.55

Type of Service	Transaction Volume					
TIER	**1**	**2**	**3**	**4**	**5**	**6**
DL ValIDate	1-1,199	1,200-5,999	6,000-11,999	12,000-29,999	30,000-59,999	60,000+
Optional Audit Opt-In Service	1-249	250-999	1,000-2,499	2,500-4,999	5,000-9,999	10,000+
All other services	1-99	100-499	500-999	1,000-2,499	2,500-4,999	5,000+

- **Pricing per service based on volume and progresses to next tier as volume increases**

TCFP Fees – ACTION

New fee model for large government-to-government transactions

- **Approach to be piloted with TCFP**
  - Municipalities required to remit firefighters' testing and licensing fees to TCFP
  - Current credit card processing fees on these large transactions prohibitive
  - Model allows municipalities to batch license together for single ACH fee

- **Proposed fee facilitates TCFP requirements while saving municipalities money**

	Payer of CC Processing Fee	Credit Card Fees (same as existing standard TPE fee model)	Batch ACH Fee
TPE Direct & Common Checkout Page	Texas.gov	$0.25 + 2.25% per transaction	$3.00 per batch transaction
	Agency	$0.25 per transaction	$3.00 per batch transaction

Technology Sourcing Office

- **Cooperative Contracts**

  - Customer purchases FY12 = $1.605B   State Agencies = 26% of Purchases

  - Cost savings FY12 = $257.6M   State Agencies = 26% of Savings

  - Percent HUB purchases FY12 = 27.8%

  - Average cost-recovery rate for FY12 YTD = .39%

  - RFOs of interest

    - **Cloud Services** RFO release by end October with scope to include Infrastructure as a Service, Platform as a Service and Cloud Broker Services

    - **Deliverables-Based IT Services (DBITS)** RFO; currently in evaluation phase with negotiations planned for mid-November

- **Enterprise Contracts**

  - Consider approvals of contract amendments

    - Service provider contracts for Data Center Services – Network Improvement Plan – ACTION

Communications Technology Services

- **ATM/FR to MPLS transition**
  - TxDOT complete – 343 sites
  - HHSC pilot of 22 sites complete; 150 planned in CY12
  - Coordinating with TDCJ, TDPS, TCEQ, TPWD for migration of networks
  - Monthly circuit order volume up 300% due to increased MPLS transition activities
- **Implementation of VoIP system upgrade underway**
  - Improved features by enabling unified communications
  - Creates opportunity to expand VoIP services to new and existing CCTS customers
- **DIR Security Operations Center named 2012 Cybersecurity Leadership and Innovation Award Winner**

Program & Portfolio Management Office

Supporting key programs with management of strategic, cross-functional projects

- **Data Center Services**
  - Office 365 Deployments
  - OAG Email Migration to Outlook 2010

- **Technology Sourcing Office**
  - DBITS RFO
  - Cloud Services RFO
  - RFO Planning & Resource Management Tool

- **Communications Technology Services**
  - Service Catalog Expansion – now includes TEX-AN NG, DIR Internet, Wireless Services, and CCTS

- **Enterprise**
  - Website Content & Search Engine Improvements → evolving to Online Marketplace

Audit Update

Andrew Dimas

Director of Internal Audit

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Finance Update

Nick Villalpando

Chief Financial Officer

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Budget Status as of August 31, 2012

- **Agency-wide Operating Revenues were greater than budget by 4.3%**
  - Statewide Technology Sourcing (Cooperative Contracts) – positive variance of 24.4%
  - Technology Center Services (Data Center) – negative variance of 3%
  - Communications Technology Services (TEX-AN /CCTS) – negative variance of <1.0%
- **Agency-wide expenditures were 5.4% less than budget**
  - Salaries – 2.1% below budget
    - Vacancies/turnover
  - Professional Fees – 7.5% below budget
    - Lower DCS volume for DIR's own use of DCS services
    - Lower procurement costs in Cooperative Contacts
  - Computer Maintenance – 33% below budget
    - Lower Seat Management Costs (Desktop/Laptop/Printer utilization & support)

Operating Results for Year Ended Aug. 31, 2012

	2012 OPERATING BUDGET	2012 ACTUAL	VARIANCE
Gross Revenue	$ 261,989,593	$ 259,750,153	($ 2,239,440)
Less:			
Cost of Services	(231,166,942)	(227,693,692)	3,473,250
Customer Funded Project Expenses	(2,520,059)	(2,520,059)	-
Net Revenue Before Operating Expenses	**28,302,592**	**29,536,402**	**1,233,810**
Operating Expenses			
Direct Operating Expenses	22,905,052	21,988,592	916,460
Indirect Expenses			
Cost of Non Revenue Generating Programs	1,039,326	822,704	216,622
Indirect Administration	7,941,946	7,350,781	591,165
Total Operating Expenses	**31,886,324**	**30,162,077**	**1,724,247**
Net Revenue (Loss)	**($ 3,583,732)**	**($ 625,675)**	**$ 2,958,057**

Fund Balances as of August 31, 2012

	TOTAL	DCS	TEX-AN	CCTS	COOP CONTRACTS	TEXAS.GOV
Beginning Fund Balance (Deficit)	$ 3,289,308	($ 1,104,811)	$ 367,177	300,418	$ 3,726,524	-
Net Revenue (Loss)	(625,675)	704,947	598,558	460,557	(2,410,330)	20,593
Less: Article IX Benefits Pmt.	(679,945)	-	-	-	(679,945)	-
Ending Fun Balance (Deficit)	**$ 1,983,688**	**($ 399,864)**	**$ 965,735**	**$ 760,975**	**$ 636,249**	**$ 20,593**

Note: Texas.gov ending fund balance is subject to lapse

Operating Budget Amendments

- ## For Reporting Purposes
  The following amendment was approved by the Executive Director pursuant to the budget amendment policy – Board approval not required

  - Amendment 1

    Increase budget for other operating expenses by $15,000 and consumable supplies by $10,000 and decrease budget for professional fees by $25,000

Administrative Fees

- **Communications Technology Services**
  - DIR-provided Internet Services
    - Current Fee – $30/mbps per month
    - Proposed Fee – $21/mbps per month
    - Fee change allows DIR to be price competitive with marketplace and better align DIR's costs with service pricing
  - Staff requests Board approval of change for DIR-provided Internet Services – ACTION

Legislative Update

Lori Person

Chief Administrative Officer

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Key Dates

October 31	**DIR exit meeting with Sunset Commission staff**
November 12	**Pre-filing of legislation begins**
November 16	**Sunset Commission staff report is published**
December	**Interim committee reports published**
December 18–19	**Sunset Commission public hearing**
January 8	**83rd Legislative Regular Session begins**
January 9	**Sunset Commission decisions**
March 8	**Deadline for filing bills**
May 27	**83rd Legislative Regular Session concludes**

Communications

Leadership | Agencies | Institutions of Higher Education | Local Governments | K–12 Education | Citizens | Staff

DIR DIALOG	ANNOUNCEMENTS	STATE AGENCY NEWS	LEGISLATIVE UPDATES	STATE AGENCY TOOLS

- **October 2012**
  State Employee Charitable Campaign, Awards & Accolades, Legislative Update, Secure Passwords, New Web Accessibility Scanning Program, New Texas.gov Services
- **September 2012**
  DIR *Sunset Riverboat Cruise, TASSCC, Legislative Update, New Communication Tools for Employees, Spotlight on Safety*

- Web Accessibility Scanning Program
- State of Texas Wins National Cybersecurity Award
- Texas Public Sector CIO of the Year Awarded to Texas Tech University CIO

- **October 2012**
  Microsoft Office 365, Web Accessibility Scanning Program, New Checklists Simplify QAT Requirements
- **September 2012**
  DBITS RFO, Statewide Technology Priorities, Texas Cloud Project
- **August 2012**
  DCS Transition, DIR Sunset Review, Social Media Guidelines

- Provides updates on agency activities
- Shows progress toward bill implementation

- Statewide Technology Priorities
  Identifies critical needs that agencies may wish to highlight when seeking funding during the upcoming biennium
- DCS Program Cost Worksheet
  Presents expended and projected costs for both the enterprise and partner agency

Information Security Update

Angel Cruz

Chief Information Security Officer
Office of the State CISO

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State Agency Security Assessments

OFFICE OF THE CISO: ENTERPRISE SECURITY & RISK MANAGEMENT SERVICES
Security Assessment Status as of 10/22/2012
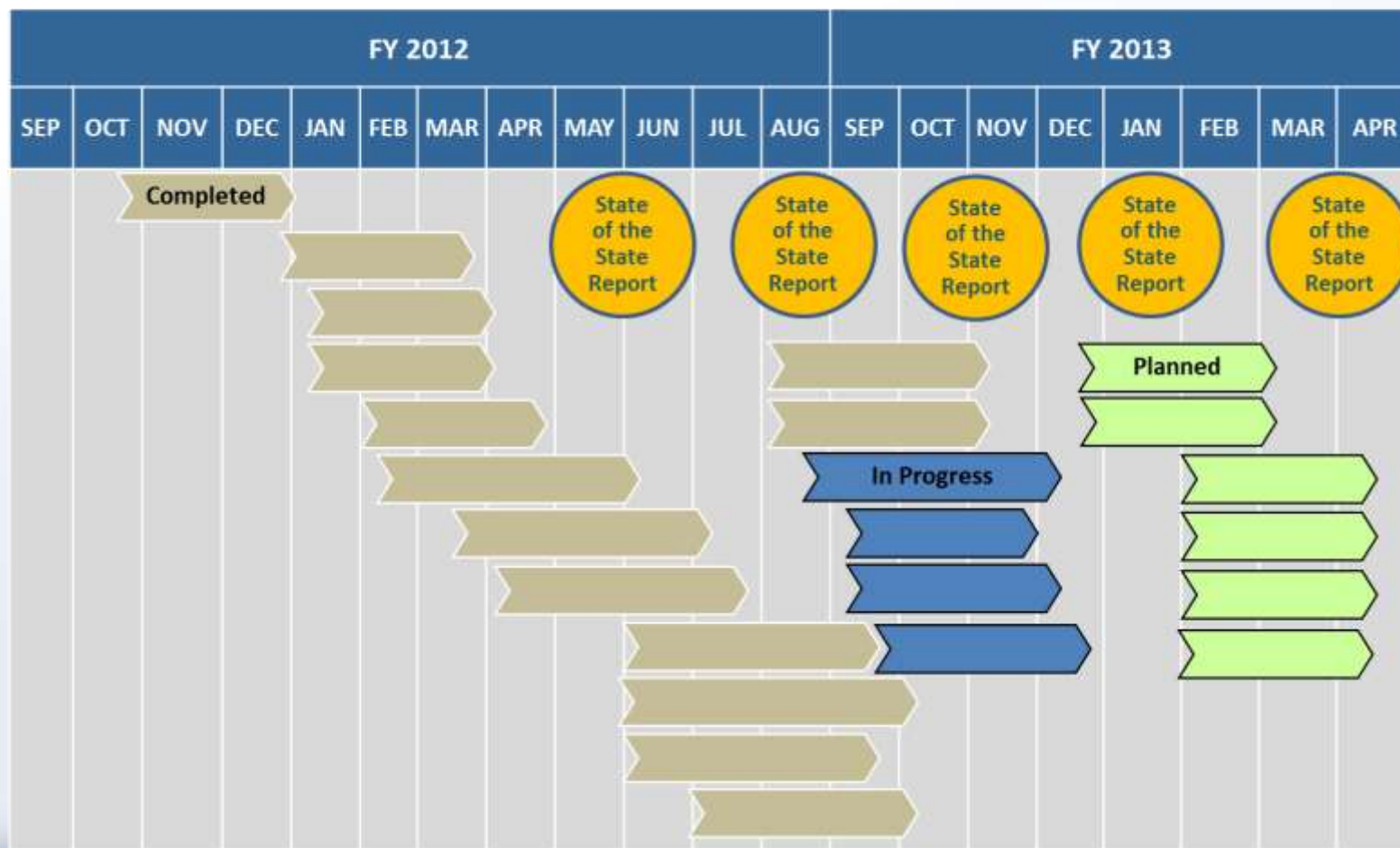
State of the State Security Posture Report

Current observations/trends

✓ Observations: Opportunities for Improvement	2012-Q3	2012-Q4	2013-Q1
IT staffing challenges – impacts security responsibilities	✓	✓	✓
Security in software development	✓	✓	✓
Standards in security governance/awareness	N/A	✓	✓
Identity and access management standardization	✓	✓	✓
Consistent event monitoring and analysis	✓	✓	✓
Internal network segmentation	✓	✓	✓
Data classification	N/A	✓	✓

✓ Observations: Noteworthy Practices	2012-Q3	2012-Q4	2013-Q1
Use of encryption technology	✓	✓	✓
Strength in network perimeter controls	N/A	✓	✓
Use of DIR security offerings	✓	✓	✓
Agency Disaster Recovery/Business Continuity plans	N/A	✓	✓